

5 August 2013

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The week in focus

Botswana

- There were no significant news events last week
- BWP: Pula recovers losses against the greenback

CMA

- Namibia: Government supports farmers in drought and flood stricken areas
- ZAR: Rand closed last week nearly 12 cents stronger against the US dollar

Ghana

- The Bank of Ghana kept its benchmark policy rate at 16%
- GHS: Cedi teetering at USD/GHS2.06

Kenya

- Headline inflation accelerates to 6.02% y/y in July from 4.91% in June
- KES: USD/KES supported at 87.10 by CBK's efforts to curb excess liquidity

Mozambique

- Election set for 15 October 2014
- MZN: Narrowing of bid/ask spread suggests an improvement in local liquidity

Nigeria

- Oil theft losses increasing
- NGN: Naira to benefit from banks reducing US dollar positions

Tanzania

- The government has signed a US\$210m loan agreement with the World Bank
- TZS: Minimal shilling volatility anticipated this week due to mid-week holiday

Zambia

- BoZ keeps policy rate unchanged at 9.75%
- ZMW: Kwacha successfully navigates slew of international data and events

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Botswana

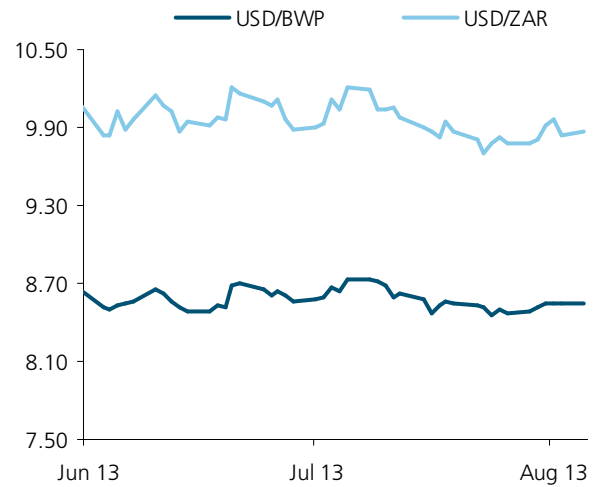
News flash

- There were no significant economic data releases or news events last week

Pula (BWP) in brief

- The pula managed to recoup some losses against the greenback on Friday especially after the poor US jobs data. It recovered from the opening lows of 0.1162/65 to close the day at 0.1168/71. We expect it to open even weaker this morning around 0.1173/76. Against the rand the pula weakened to close the day at 1.1564/1.1593 from 1.1611/1.1639 in the morning.

Figure 1: Pula recoups losses against the greenback



Source: Bloomberg
Data as at August 2013

CMA

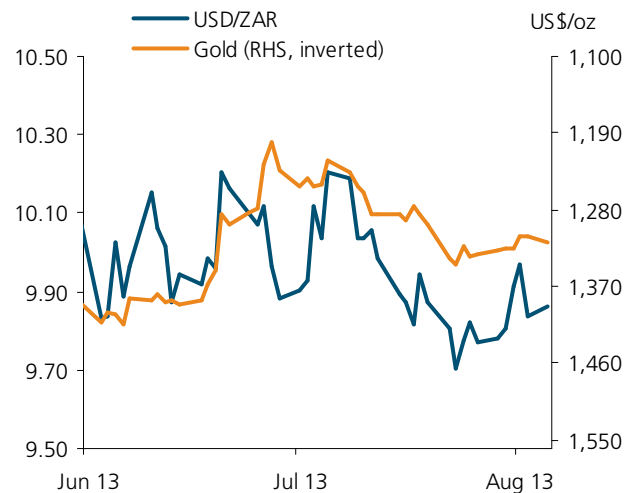
News flash

- Namibia: The Ministry of Agriculture, Water and Forestry will disburse 100 tonnes of pearl millet seeds, valued at N\$5m, to farmers in drought and flood stricken areas. The Ministry has undertaken to produce a further 100 tonnes of seed at its green Scheme projects and research stations.

Rand (ZAR) in brief

- The rand ended the week on the front foot, closing nearly 12 cents stronger against the greenback on Friday. The strength was also evident against the other major crosses ,with gains registered against the euro and the pound. While some of the momentum was lost over the weekend, we don't see any reason to expect the rand to weaken meaningfully today.

Figure 2: Rand strengthens against major crosses



Source: Bloomberg
Data as at August 2013



Ghana

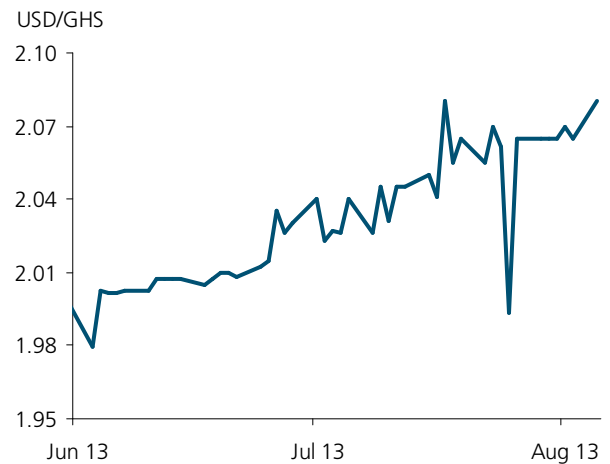
News flash

- The Bank of Ghana kept its benchmark policy rate at 16%, believing it's an appropriate policy stance to help balance the risk between current inflationary pressures and growth. The possibility of further hikes in 2H13 is high — although significant pressures would be eased by the Eurobond, the cedi still remains under stress, which could lead to a possible 100bp hike by the end of the year. We expect inflation to remain in the double digits in 2H13 mainly due to the cedi's weak performance and fiscal consolidation. The central bank also mentioned that the forecast for end-year inflation is likely to be close to the upper band.

Cedi (GHS) in brief

- The cedi is teetering at USD/GHS2.06, lacking the momentum to break lower. We anticipate slight appreciation once the Eurobond proceeds begin to filter through the market, though a restoration in portfolio flows is required to entrench a downward trend.

Figure 3: Cedi could strengthen on the back of Eurobond proceeds



Source: Bloomberg
Data as at August 2013

Kenya

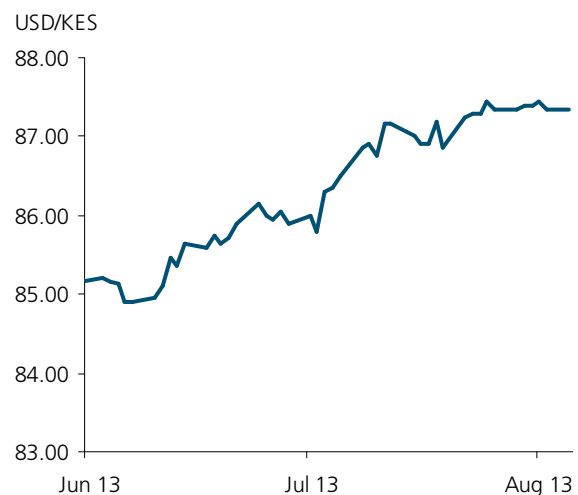
News flash

- Headline inflation accelerated to 6.02%/y/y in July from 4.91% in June on account of base effects. Despite a slight quickening in services inflation, on account of higher transportation and health services costs, core inflation remains anchored.
- The turmoil in Egypt has eroded demand for black tea, diminishing a primary source of export revenue for Kenya. Egypt accounted for 82% of Kenya's tea sales during the first five months of the year, generating KES10.4bn of proceeds.
- The sovereign's B+ and BB- Long-term foreign and local currency Issuer Default Ratings (IDR) have been reaffirmed by Fitch. The agency views the outlook for Kenya as stable, estimating 6% GDP growth by 2015 driven by rising infrastructure investment and the development of the oil sector.

Shilling (KES) in brief

- USD/KES appears to have plateaued at 87.10 supported by the central bank's efforts to absorb excess shilling liquidity. The acceleration in inflation should pique the interest of offshore investors as domestic bond yields are likely to tick up, resulting in US dollar inflows. However, foreign participation in the local debt market is still negligible.

Figure 4: USD/KES supported at 87 by CBK's efforts to curb excess liquidity



Source: Bloomberg
Data as at August 2013



Mozambique

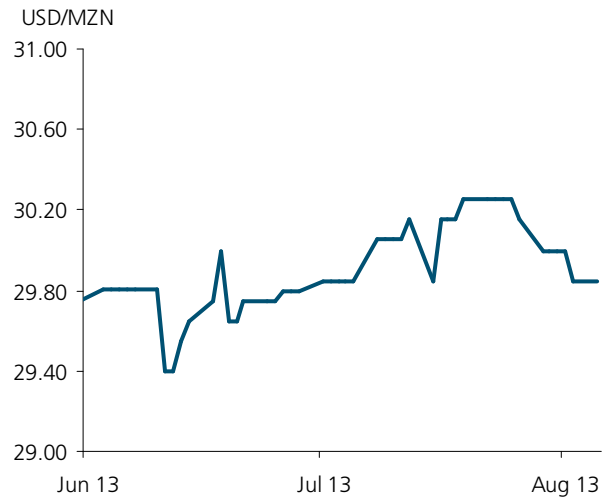
News flash

- President Guebuza announced that the next parliamentary and presidential elections will be held on 15 October 2014.

Metical (MZN) in brief

- A narrowing of the bid/ask USD/MZN spread over the course of last week suggests an improvement in domestic liquidity conditions. Although the local unit is pushing up towards 29.80, short-term momentum indicators imply sideways trade.

Figure 5: USD/MZN pushes higher, though momentum is sideways



Source: Bloomberg
Data as at August 2013

Nigeria

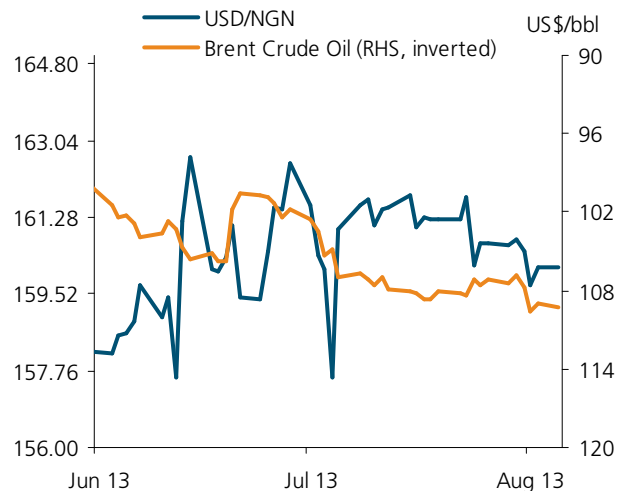
News flash

- According to the Extractive Industries Transparency Initiative (EITI), Nigeria lost US\$10.9bn (around 136m barrels) in oil revenues due to oil theft between 2009 – 2011. Shell believes the government will lose US\$12bn annually. The company took a US\$700m knock for thefts and other issues in Nigeria. In the same breath, Eni recently announced a drop in its production target (to be in line with 2012 output) due to the same reasons. The firm lost 30,000 barrels of oil per day in 1H13 — it is currently reviewing its position in the country, and prefers to stay offshore rather than onshore.

Naira (NGN) in brief

- The 38% increase to the Cash Reserve Requirement on public deposits will come into effect on 7 August. Commercial banks have sold down US dollars to accommodate the change in regulation, providing further downward impetus to the exchange rate. The naira should amass gains this week as international oil firms sell US dollars as part of their month-end processes.

Figure 6: Naira recoups losses as banks reduce US dollar positions



Source: Bloomberg
Data as at August 2013



Tanzania

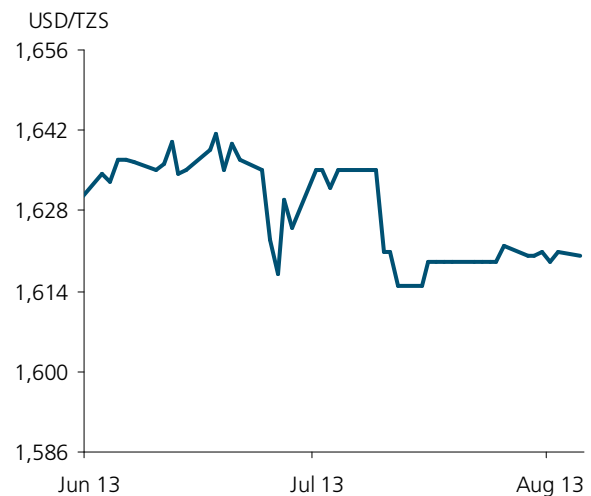
News flash

- The government has signed a US\$210m loan agreement with the World Bank for infrastructure projects aimed at boosting regional trade flows. The loan will finance construction of roads and a border post linking Tanzania to eastern and southern African countries.

Shilling (TZS) in brief

- The shilling accrued mild gains last week, supported by month-end inflows amid minimal demand from corporate clients. We anticipate minimal volatility this week on account of the mid-week holiday, marking the end of the month of Ramadan.

Figure 7: Shilling continues to drift in a narrow range



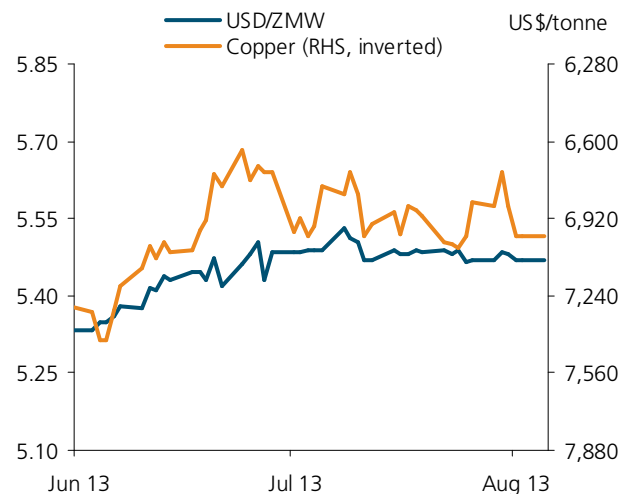
Source: Bloomberg
Data as at August 2013

Zambia

News flash

- The central bank left its key lending rate unchanged at 9.75% in order to meet its year-end target of 6%. Inflation remained unchanged at 7.3% y/y in July from June. Concerns over inflation have prompted the BoZ to hike rates for a second month in a row by 25bp to 9.75% in June. Higher wage demands in the coming months could prompt the government to intervene to curb the extent of inflationary pressures.
- African Development Bank (AfDB) and the International Finance Corporation (IFC) plan to raise a total of US\$950m through the local currency bond programmes to fund private sector projects in areas such as infrastructure. It process will likely strengthen the capital markets and support the kwacha.

Figure 8: Kwacha holds its ground against the US dollar



Source: Bloomberg
Data as at August 2013

Kwacha (ZMW) in brief

- The kwacha traded steadily last week, successfully navigating a slew of international data and events. An easing in tapering concerns provided a brief fillip to EM currencies following the Fed meeting on Wednesday, though the momentum faded toward the end of the week with the rand breaching USD/ZAR10.00. The kwacha, however, held its ground, and continue to trade steadily around USD/ZMW5.47.



Spot and implied forward exchange rates

	Currency rates				Outright forwards			
	Last	% change			Maturity			
		1-day	1-week	1-month	1-m	3-m	6-m	12-m
Botswana								
USD/BWP	8.54	-0.13	0.56	-0.47	8.55	8.64	8.77	8.95
EUR/BWP	11.28	-0.59	0.44	0.75	11.35	11.47	11.64	11.91
GBP/BWP	12.92	-0.47	-0.81	-1.08	13.05	13.19	13.37	13.65
BWP/JPY	11.63	1.19	-0.81	0.14	1.16	1.16	1.15	1.16
Ghana								
USD/GHS	2.07	0.24	3.82	1.47	2.09	2.16	2.26	2.44
EUR/GHS	2.74	-0.23	3.70	2.71	2.78	2.86	3.00	3.25
GBP/GHS	3.13	-0.10	2.41	0.85	3.20	3.29	3.44	3.72
GHS/JPY	48.00	0.81	-3.93	-1.78	207.27	213.09	222.85	240.45
Kenya								
USD/KES	87.45	0.06	0.00	1.69	87.83	89.03	90.45	94.45
EUR/KES	115.56	-0.41	-0.11	2.93	116.64	118.26	120.21	125.65
GBP/KES	132.27	-0.29	-1.36	1.06	134.27	136.05	138.15	144.14
KES/JPY	1.14	1.00	-0.26	-1.98	0.89	0.90	0.92	0.96
Mozambique								
USD/MZN	30.00	0.00	-0.83	0.50	29.71	30.03	30.22	30.85
EUR/MZN	39.64	-0.47	-0.94	1.73	39.73	39.89	40.16	41.04
GBP/MZN	45.38	-0.34	-2.17	-0.11	45.73	45.89	46.15	47.08
MZN/JPY	3.31	1.06	0.57	-0.83	2959.54	2970.41	2986.57	3042.18
Nigeria								
USD/NGN	159.73	-0.48	-0.60	-1.13	159.75	159.75	159.75	159.75
EUR/NGN	211.07	-0.94	-0.72	0.09	212.17	212.22	212.31	212.53
GBP/NGN	241.59	-0.82	-1.95	-1.73	244.23	244.13	244.00	243.81
NGN/JPY	0.62	1.54	0.34	0.80	0.62	1.61	1.61	1.61
South Africa								
USD/ZAR	9.97	0.56	1.48	0.65	9.91	9.96	10.10	10.41
EUR/ZAR	13.17	0.09	1.37	1.88	13.12	13.24	13.42	13.82
GBP/ZAR	15.08	0.21	0.10	0.03	15.10	15.23	15.43	15.85
ZAR/JPY	9.97	0.50	-1.72	-0.97	10.02	9.93	9.79	9.50
Tanzania								
USD/TZS	1,619.00	-0.12	0.00	-0.98	1,636.00	1,661.00	1,708.50	1,781.00
EUR/TZS	2,139.35	-0.59	-0.11	0.24	2,172.83	2,206.54	2,270.57	2,369.37
GBP/TZS	2,448.74	-0.47	-1.36	-1.58	2,501.14	2,538.30	2,609.57	2,718.07
TZS/ZAR	0.06	1.18	-0.26	0.65	16.53	16.79	17.29	18.06
Zambia								
USD/ZMW	5.47	-0.18	0.09	-0.27	5.34	5.36	5.50	5.77
EUR/ZMW	7.23	-0.65	-0.02	0.95	7.09	7.11	7.30	7.68
GBP/ZMW	8.27	-0.52	-1.27	-0.88	8.16	8.18	8.38	8.80
ZMW/JPY	18.16	1.24	-0.35	-0.06	0.05	0.05	0.06	0.06

Source: Bloomberg, Reuters, RMB Global Markets
All data as at August 2013



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz	1,317.44	7.7	-17.8	20.6	1,310.3	1,313.7
Copper US\$/tonne	7,019.00	2.9	-4.2	20.4	7,005.0	7,037.0
Softs						
Cattle US\$/lb	153.73	1.3	10.6	14.8	124.5	125.5
Cocoa US\$/tonne	2,291.00	3.5	-4.5	44.7	2,291.0	2,323.0
Coffee — Arabica US\$/lb	118.25	-2.2	-32.0	32.6	118.3	127.7
Coffee — Robusta US\$/tonne	0.00	-	-	23.3	1,881.0	1,869.0
Cotton US\$/lb	85.32	2.0	16.5	21.2	85.3	82.4
Maize — Yellow R/tonne	2,155.00	-2.2	-20.8	24.0	2,155.0	2,151.0
Maize — White R/tonne	2,323.00	4.1	-14.5	23.7	2,323.0	2,102.0
Raw Sugar US\$/lb	16.79	3.3	-23.7	19.6	17.9	17.9
Energy						
WTI Crude US\$/bbl	107.20	3.9	17.3	20.8	103.2	95.0

Interest rates

	3-m T-Bill		Policy rate
	July - 13 ¹	Current	Current
Botswana	4.05	4.05	8.50
Ghana	21.81	22.98	16.00
Kenya	6.86	8.75	8.50
Mozambique	4.91	4.95	9.00
Namibia	5.15	5.15	5.50
Nigeria	10.73	11.50	12.00
South Africa	5.15	5.16	5.00
Tanzania	12.6	12.60	OMO ²
Zambia	8.00	7.99	9.75

1 End of month

2 Open Market Operations

Source: Bloomberg, Reuters, RMB Global Markets

All data as at August 2013

All rated sub-Saharan countries

	Fitch	Moody's	S&P
Angola	BB-	Ba3	BB-
Benin	-	-	B
Botswana	-	A2	A-
Burkina Faso	-	-	B
Cameroon	B	-	B
Cape Verde	B+	-	B+
Egypt	B	Caa1	CCC+
Gabon	BB-	-	BB-
Ghana	B+	B1	B
Kenya	B+	B1	B+
Lesotho	BB-	-	-
Mauritius	-	Baa1	-
Morocco	BBB-	Ba1	BBB-
Mozambique	B+	-	B+
Namibia	BBB-	Baa3	-
Nigeria	BB-	Ba3	BB-
Rwanda	B	-	B
Senegal	-	B1	B+
Seychelles	B	-	-
South Africa	BBB	Baa1	BBB
Tunisia	BB+	Ba2	BB-
Uganda	B	-	B+
Zambia	B+	B1	B+

Note: For full ratings disclosure, please refer to the last page

The sources used to compile this document are: Bloomberg, Reuters, AllAfrica.com, respective central bank and national statistical websites.



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